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Owners of seized assets sought; The state vows to try harder to return unclaimed property. Critics remain skeptical.

By Marc Lifsher, Times Staff Writer

The state controller announced plans Thursday to overhaul the widely criticized way California has seized millions of dollars in unclaimed property left in stray bank accounts and abandoned safe deposit boxes.

The program, halted by a federal judge in June, has been under attack for years from account holders and their heirs who contended that California was looting millions of dollars from their accounts to boost state coffers -- without making any real effort to first find the rightful owners.

The judge on June 1 ordered the temporary halt, saying the state failed to provide "constitutionally adequate notice before accepting or taking title to property."

State Controller John Chiang said Thursday that he had thousands of notice letters sealed, addressed and ready to be mailed to the likely owners of millions of dollars' worth of corporate stocks, other securities and safe deposit boxes that have been seized over the years by the state as unclaimed property.

Chiang, who oversees the state's unclaimed property program, said new funding and powers granted him by legislation that is part of the state budget allowed his office to begin aggressively looking for owners of billions of dollars' worth of unclaimed assets.

More important, Chiang said, he would attempt to find the owners before banks and other financial institutions turn the misplaced property over to the state.

"I share the public's outrage that a program that should be reuniting people with their lost property has turned into a roadblock that prevents my office from telling 650,000 individuals each year that their stocks, bonds, cash and family heirlooms are available to be claimed," Chiang said. "These reforms -- the most property-owner legislation in two decades -- will ensure that the state once again puts people first."

But critics of the state's unclaimed property program denounced the controller's overhaul as window dressing.

"This is a sound-and-light show designed to convince the public that something substantive has been done in this agency," said William W. Palmer, an attorney representing owners of seized property, who is suing the controller's office.

Chiang announced his new initiative at a news conference outside the building that houses a vault where he keeps some contents taken from safe deposit boxes.

Items on hand include a Medal of Honor and Navy Cross awarded to a World War II hero who is buried in Arlington National Cemetery. Chiang lamented that, until now, he had been prohibited by law from contacting the man's heirs and returning the decorations.

Such indifference to finding heirs is about to end, Chiang said. The staff of the controller's office will be contacting the veteran's family as early as next week.

The controller is hoping the new program -- including \$8 million in funding and 87 workers to staff a new search unit -- will satisfy U.S. District Judge William B. Shubb in Sacramento, who issued an injunction to stop the state from seizing any such property.

A federal appeals court ordered Shubb to grant the temporary injunction, saying that citizens have a due process right to be notified of the possible loss of property.

Chiang called his initiative "a first step" and promised future efforts to lengthen the current three-year time period before financial institutions turn property over to the state. He also wants to prohibit banks from emptying out the contents of safe deposit boxes if the owner has another active account with the institution.

But what's lacking in the new program, Palmer said, was specific authorization to publish the names of property owners and details of their property in newspapers. He also must send a letter to their best and last address before their property is sent to the state, Palmer said.

Chiang disagreed, contending that the new law's notification provision would allow him to contact owners, pass "constitutional muster" and go "far beyond what's required by the injunction."

Another vocal critic, state Sen. Tom McClintock (R-Thousand Oaks), said Chiang and the administration of Gov. Arnold Schwarzenegger had not convinced him that they were serious about keeping the state's hands out of people's pockets.

He pointed out that the state budget the governor is expected to sign today still calls for \$700 million in revenue from the sale of seized property.

"They are not planning on taking in less money," McClintock said.

The controller's office, however, said the new outreach program in the current fiscal year was expected to return at least \$87 million more to property owners than the \$300 million in claims paid a year ago.

"By giving notice to 650,000 people we now are prohibited from notifying each year, we would certainly hope more claims will be filed and more claims paid," said controller's spokeswoman Hallye Jordan.

The state's new effort to contact property owners is laudable but tardy, said Frederick "Gil" Cottrell, a Newport Beach supermarket worker and investor. Cottrell, 53, said he had been trying for years to recover \$38,000 from his father's bank account, which was taken by the state in the mid-1990s.

His father disappeared in 1989, Cottrell said. He said he was contacted by a private investigator who offered to help him get the money for a 50% commission. Cottrell said he had run into bureaucratic barriers at the controller's office because he had had trouble getting a death certificate.

In the meantime, he complains that he has lost 20 years of interest earnings on the \$38,000.

The state, Cottrell said, "makes it as hard as possible for families to get their money."

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Your assets?

Think the state may have your money? California is sitting on \$5.1 billion in unclaimed property from dormant bank accounts, safe-deposit boxes and other sources. To find out whether you are owed any of that bounty, go to the state controller's website at www.sco.ca.gov and click on the "Search for Unclaimed Property" link. You also can call the controller's office at (800) 992-4647.

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Source: California controller's office

